

EXECUTIVE SUMMARY

Idaho's economic outlook has been scaled back compared to the January 2008 *Idaho Economic Forecast*. This change largely results from the anticipated weaker showing for the national economy. There are about 7,800 fewer Idaho jobs in 2008 in the current forecast compared to the previous one. This gap grows each of the next three years, so that there are nearly 12,400 fewer jobs in 2010 in the current forecast than in the previous one. Projected goods-producing employment is down about 4,000 jobs, with the computer and electronics and construction sectors combined accounting for 90% of the difference between forecasts. The more pessimistic projection for construction occurs because the housing retrenchment is anticipated to be deeper than in the previous forecast. There are nearly 2,700 fewer forecasted housing starts in 2010 in this forecast compared to the previous one. The Gem State's nongoods-producing sector accounts for two-thirds of 2010's expected job gap, but it is less concentrated than in the goods-sector. For example, projected retail trade employment is down by roughly 2,800 jobs in the current forecast, which is about 33% of the nongoods-producing job gap. Services jobs account for about 50% of the difference between the current and previous forecasts, but this difference is dispersed over several employment categories. Projected Idaho personal income displays a similar pattern as nonfarm employment. It too is lower in 2008 and this gap increases through 2010. Specifically, the gap between the current and previous Idaho nominal personal income goes from \$1.07 billion in 2008 to \$2.00 billion in 2010. About 60% of the anticipated gap in 2010 is due to lower wage and salary payments, the product of lower employment and average annual wages that are down about \$1,100 compared to the previous forecast. The gap for Idaho real personal income swells from \$1.32 billion to \$2.09 billion from 2008 to 2010. Idaho's economy should make some headway in 2011, with the employment gap between forecasts shrinking to 9,700 jobs in 2011. Unfortunately, the wage gap is forecast to expand, which increases the forecasted wages and salary payments difference in 2011. As a result, the gap between the current and previous nominal personal income forecasts widens to \$2.07 billion in 2011. Likewise, the difference between the current and previous Idaho real personal income forecasts also increases in 2011. While the current Idaho forecast is gloomier than its predecessor, it remains brighter than the current national outlook. During 2008 to 2011, Idaho nonfarm employment growth is forecast to average 1.9%, which is more than twice as fast as the national average. In addition, Idaho real personal income is projected to increase 3.3% annually, while U.S. real personal income is expected to grow 2.5% per year.

The U.S. economy is expected to display roller-coaster swings over the next few quarters. The current forecast shows real GDP contracting during the first half of this year, which meets the rule-of-thumb criterion (two or more consecutive quarters of declining real output) for a recession. Activity should pick up temporarily in this year's third quarter (2.4%) thanks to help from the fiscal-stimulus package. The largest component of this package is the tax rebates to households worth \$107 billion. These rebates should nudge consumer spending in the second quarter, but their biggest boost should be in the third quarter. However, real output growth is expected to slide after the third quarter due to waning consumer spending, and it is forecast to stall in the first quarter of 2009. After a couple of growth oscillations, the economy is expected to begin a sustained recovery in mid-2009. Factors contributing to this turnaround include the positive impacts of low interest rates, the bottoming out of the housing sector, and financial institutions lending more freely. Despite the anticipated stronger growth, projected inflation drops from 2.5% in 2008 to well below 2.0% in the remaining years of the forecast, thanks in large part to the assumed decline in oil prices. Fundamentals suggest oil is currently overpriced. This distortion, along with the expected global economic slowdown, suggests oil prices could decline to \$74 per barrel in 2011. However, oil prices are extremely sensitive to real or perceived supply disruptions, so there are significant risks prices may not fall as much as has been forecasted.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
APRIL 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. GDP (BILLIONS)												
Current \$	9,817	10,128	10,470	10,961	11,686	12,434	13,195	13,841	14,282	14,822	15,556	16,394
% Ch	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.9%	3.2%	3.8%	5.0%	5.4%
2000 Chain-Weighted	9,817	9,891	10,049	10,301	10,676	11,004	11,319	11,567	11,704	11,903	12,266	12,672
% Ch	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.2%	1.2%	1.7%	3.0%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	31,290	33,054	33,849	34,816	38,079	40,355	43,800	46,777	48,918	51,180	54,161	57,807
% Ch	7.6%	5.6%	2.4%	2.9%	9.4%	6.0%	8.5%	6.8%	4.6%	4.6%	5.8%	6.7%
Idaho Nonfarm (Millions)	30,448	32,039	32,921	34,099	37,100	39,482	43,150	45,822	47,847	50,065	53,008	56,610
% Ch	8.5%	5.2%	2.8%	3.6%	8.8%	6.4%	9.3%	6.2%	4.4%	4.6%	5.9%	6.8%
U.S. (Billions)	8,430	8,724	8,882	9,164	9,727	10,301	10,983	11,660	12,147	12,589	13,214	13,971
% Ch	8.0%	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.2%	4.2%	3.6%	5.0%	5.7%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	31,289	32,376	32,690	32,970	35,127	36,160	38,192	39,776	40,393	41,507	43,195	45,315
% Ch	5.0%	3.5%	1.0%	0.9%	6.5%	2.9%	5.6%	4.1%	1.5%	2.8%	4.1%	4.9%
Idaho Nonfarm (Millions)	30,447	31,382	31,795	32,290	34,223	35,378	37,626	38,965	39,508	40,602	42,275	44,377
% Ch	5.9%	3.1%	1.3%	1.6%	6.0%	3.4%	6.4%	3.6%	1.4%	2.8%	4.1%	5.0%
U.S. (Billions)	8,429	8,545	8,578	8,678	8,973	9,231	9,578	9,915	10,030	10,209	10,539	10,952
% Ch	5.4%	1.4%	0.4%	1.2%	3.4%	2.9%	3.8%	3.5%	1.2%	1.8%	3.2%	3.9%
HOUSING STARTS												
Idaho	11,501	12,208	13,230	16,389	18,659	23,346	19,428	14,235	12,913	13,727	14,077	16,554
% Ch	11.0%	6.1%	8.4%	23.9%	13.9%	25.1%	-16.8%	-26.7%	-9.3%	6.3%	2.6%	17.6%
U.S. (Millions)	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,344	0,911	1,131	1,444	1,663
% Ch	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.8%	-32.2%	24.1%	27.7%	15.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	558,583	568,035	568,047	572,554	588,074	611,732	638,912	656,333	660,616	670,364	686,199	708,422
% Ch	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	0.7%	1.5%	2.4%	3.2%
U.S. (Thousands)	131,794	131,830	130,340	129,996	131,419	133,695	136,092	137,618	137,856	138,376	140,050	142,353
% Ch	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	0.2%	0.4%	1.2%	1.6%
SELECTED INTEREST RATES												
Federal Funds	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	2.0%	2.1%	4.1%	4.8%
Bank Prime	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	5.0%	5.1%	7.1%	7.8%
Existing Home Mortgage	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	5.6%	5.7%	6.9%	7.2%
INFLATION												
GDP Price Deflator	2.2%	2.4%	1.7%	2.1%	2.9%	3.2%	3.2%	2.7%	2.0%	2.0%	1.9%	2.0%
Personal Cons Deflator	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.5%	3.0%	1.8%	1.7%	1.7%
Consumer Price Index	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.5%	1.6%	1.6%	1.7%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FIRST Quarter of 2008

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	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,168	14,151	14,338	14,471	14,570	14,720	14,915	15,082	15,268	15,458	15,656	15,843
% Ch	2.7%	-0.5%	5.4%	3.8%	2.8%	4.2%	5.4%	4.6%	5.0%	5.1%	5.2%	4.9%
2000 Chain-Weighted	11,673	11,653	11,724	11,765	11,774	11,856	11,949	12,032	12,124	12,217	12,316	12,407
% Ch	-0.1%	-0.7%	2.4%	1.4%	0.3%	2.8%	3.2%	2.8%	3.1%	3.1%	3.3%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,049	48,986	49,077	49,561	50,224	50,829	51,491	52,177	52,976	53,754	54,539	55,375
% Ch	2.6%	8.0%	0.7%	4.0%	5.5%	4.9%	5.3%	5.4%	6.3%	6.0%	6.0%	6.3%
Idaho Nonfarm (Millions)	46,946	47,918	48,035	48,488	49,107	49,700	50,380	51,072	51,811	52,597	53,392	54,231
% Ch	2.9%	8.6%	1.0%	3.8%	5.2%	4.9%	5.6%	5.6%	5.9%	6.2%	6.2%	6.4%
U.S. (Billions)	11,975	12,166	12,177	12,269	12,396	12,511	12,650	12,797	12,961	13,125	13,297	13,474
% Ch	4.0%	6.6%	0.4%	3.1%	4.2%	3.8%	4.5%	4.7%	5.2%	5.2%	5.3%	5.4%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	40,017	40,579	40,373	40,603	40,937	41,363	41,690	42,040	42,508	42,969	43,411	43,892
% Ch	-1.0%	5.7%	-2.0%	2.3%	3.3%	4.2%	3.2%	3.4%	4.5%	4.4%	4.2%	4.5%
Idaho Nonfarm (Millions)	39,098	39,694	39,515	39,724	40,026	40,445	40,790	41,149	41,573	42,044	42,498	42,984
% Ch	-0.7%	6.2%	-1.8%	2.1%	3.1%	4.3%	3.5%	3.6%	4.2%	4.6%	4.4%	4.7%
U.S. (Billions)	9,973	10,078	10,017	10,052	10,104	10,181	10,242	10,311	10,400	10,492	10,584	10,680
% Ch	0.4%	4.3%	-2.4%	1.4%	2.1%	3.1%	2.4%	2.7%	3.5%	3.6%	3.5%	3.7%
HOUSING STARTS												
Idaho	12,454	12,707	13,044	13,445	13,555	13,751	13,969	13,633	13,556	13,826	14,085	14,842
% Ch	53.5%	8.4%	11.0%	12.9%	3.3%	5.9%	6.5%	-9.3%	-2.2%	8.2%	7.7%	23.3%
U.S. (Millions)	1.029	0.867	0.855	0.893	0.982	1.086	1.191	1.263	1.327	1.415	1.480	1.554
% Ch	-36.0%	-49.6%	-5.5%	19.0%	46.4%	49.8%	44.3%	26.8%	21.5%	29.3%	19.9%	21.5%
TOTAL NONFARM EMPLOYMENT												
Idaho	658,387	659,800	661,346	662,930	665,388	668,552	672,106	675,409	679,622	683,925	688,158	693,090
% Ch	-0.3%	0.9%	0.9%	1.0%	1.5%	1.9%	2.1%	2.0%	2.5%	2.6%	2.5%	2.9%
U.S. (Thousands)	137,991	137,816	137,771	137,845	137,911	138,201	138,528	138,863	139,280	139,792	140,312	140,816
% Ch	-0.1%	-0.5%	-0.1%	0.2%	0.2%	0.8%	0.9%	1.0%	1.2%	1.5%	1.5%	1.4%
SELECTED INTEREST RATES												
Federal Funds	3.2%	1.9%	1.5%	1.5%	1.5%	1.5%	2.4%	3.0%	3.5%	3.9%	4.4%	4.8%
Bank Prime	6.2%	4.9%	4.5%	4.5%	4.5%	4.5%	5.4%	6.0%	6.5%	6.9%	7.4%	7.8%
Existing Home Mortgage	6.0%	5.7%	5.4%	5.4%	5.4%	5.4%	5.8%	6.2%	6.5%	6.8%	7.1%	7.2%
INFLATION												
GDP Price Deflator	2.7%	0.2%	2.9%	2.3%	2.4%	1.3%	2.2%	1.7%	1.9%	1.9%	1.9%	1.8%
Personal Cons Deflator	3.6%	2.2%	2.8%	1.7%	2.1%	0.6%	2.1%	2.0%	1.7%	1.5%	1.7%	1.7%
Consumer Price Index	4.3%	1.9%	3.1%	1.2%	2.0%	-0.1%	2.1%	2.0%	1.5%	1.5%	1.7%	1.6%

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